

Should longevity swaps held under a defined benefit plan be measured as a plan asset at fair value or on another basis as a ‘qualifying insurance policy’? (IAS 19 *Employee Benefits*)—March 2015

The Interpretations Committee received a request to clarify the measurement of longevity swaps held under an entity’s defined benefit pension plan.

The submitter raised a question about whether an entity should:

- a. account for a longevity swap as a single instrument and measure its fair value as part of plan assets in accordance with paragraphs 8 and 113 of IAS 19 and IFRS 13 *Fair Value Measurement*, with changes in fair value being recorded in other comprehensive income; or
- b. split a longevity swap into two components and use another basis of measurement for a qualifying insurance policy for one of the components, applying paragraph 115 of IAS 19.

The submitter also raised questions about presentation if the measurement in criterion (b) were to be used. The outreach did not provide evidence that the use of longevity swaps is widespread. The Interpretations Committee understands that when such transactions take place, the predominant practice is to account for a longevity swap as a single instrument, and measure it at fair value as part of plan assets, by applying paragraphs 8 and 113 of IAS 19 and IFRS 13.

On the basis of this analysis, the Interpretations Committee concluded that it did not expect diversity to develop in the application of IAS 19 and it therefore decided not to add this issue to its agenda.